

Factors Affecting Your City Property Tax Bill

The four most important factors affecting how much a property owner pays in city property taxes are:

- amount of city spending;
- availability of revenues other than property taxes;
- size of the tax base; and
- composition of the tax base

The first two factors, spending and other revenues, affect the total tax dollars that must be levied. The remaining two factors determine the tax levy's distribution among all property owners.

City Spending:

The first factor affecting city property tax levels is city spending. It is the only factor that the mayor and city council directly control. Saint Paul must maintain a balanced budget, so all proposed spending must be covered with a financing source. If city spending were the only factor affecting taxes, tax rates would mirror spending exactly.

Other Revenues:

City reliance on property taxes depends on other revenues available to the city. The other dominant revenues are state aids, such as Local Government Aid (LGA), utility fees collected for the use of the city streets and by-ways, transfers from other city funds, collections of motor vehicle-related fines, and interest earnings from cash balances. For 2004, the State substantially reduced the City's LGA: from \$76.1 million to \$56.5 million. LGA is the City's largest general fund revenue source and an important factor in Saint Paul's ability to control property taxes. LGA payments are scheduled to be reduced further in future years, putting more pressure on the City's General Fund budget.

Size of the Property Tax Base:

The tax base size can be measured as the sum of the market value of all taxable properties. The absolute size of and changes in the tax base are attributable to many factors, the most important of which are: commercial/industrial lease values, commercial/industrial occupancy rates, and the strength of the residential market. The larger the base, the broader the distribution of the tax burden and the lower the tax rate required.

Composition of the Tax Base:

The composition of the base affects the relative share of the tax levy. The taxable property value, or tax capacity, is not the same on different classes of property. Minnesota's class rate system allocates differing shares of tax burden based on the use of the property. Apartments, residential homes, and commercial/industrial properties have different taxable value (tax capacity). One dollar of commercial/industrial property has a greater tax capacity than one dollar of residential property, due to the class rate structure.

The 2001 Legislature made significant adjustments to the class rates for payable 2002 taxes and subsequent years, reducing the class rates for large businesses, rental residential and homes valued over \$75,000. The payable 204 class rates are compared to the payable 2001 rates below.

Property Class Rates **

	Pay 2001	Pay 2004
Homestead Residential \$0-\$76,000 EMV	1.00%	1.00%
Homestead Residential \$76,000-\$500,000 EMV	1.65%	1.00%
Homestead Residential over \$500,000 EMV	1.65%	1.25%
Non-Homestead Resid. single unit up to \$500,000	1.20%	1.00%
Non-Homestead Resid. single unit over \$500,000	1.65%	1.25%
Non-Homestead Residential 2 or 3 units	1.65%	1.25%
Non-Homestead Residential 4 or more units	2.40%	1.25%
Commercial/Industrial < \$150,000	2.40%	1.50%
Commercial/Industrial > \$150,000	3.40%	2.00%

EMV: estimate market value

** Class rate percentages are applied to the Estimated Market Values of property to reach Taxable Values. The tax rate (formerly mill rate) is applied against the taxable values to determine the gross payable tax.

If the total value in one property class grows faster than the other classes, those property owners' tax share increases.

2004 Adopted Budget

From 1994 to 2003, the City did not raise its property tax levy. The City is collecting fewer dollars in both nominal and real terms today than 1994: 1994's \$66.7 million levy equals \$83 million today after adjusting for inflation. The 2004 adopted City levy is \$63.92 million, a \$84,000 increase over 2003's \$63.84 million levy. However, the Port Authority's separate debt service levy is decreasing by an equal amount due to debt issue refinancing, so the net effect on taxpayers is zero.

Of the adopted \$63.92 million levy, \$42.42 million is for city operations, \$10.3 million is for debt service, and \$1.4 million is levied on the Port Authority's behalf. The remaining \$9.8 million levy is for the new St. Paul Public Library Agency's operations and debt service. This levy reflects a shift of levy from City operations and debt service to the independent Library Agency rather than an increase in overall property taxes.

The 2004 debt service portion of the levy reflects a major change from 2003. The City and Library Agency's 2004 debt service levies are \$5.5 million less than 2003's \$18.8 million debt service levy. This reduction reflects the use of city sales tax receipts, or STAR revenues, for debt service so that more levy can support city operations, replacing lost Local Government Aid.

Although the City's property tax levy does not increase, the levy's distribution will change. The 2001 Legislature's law changes are gradually phasing-out residential properties' limited market value protection, which keep market value growth under a certain percentage. Residential owners will pay a greater share of 2004's total property tax levy than 2003's.

Tax Dollars and the Services They Buy

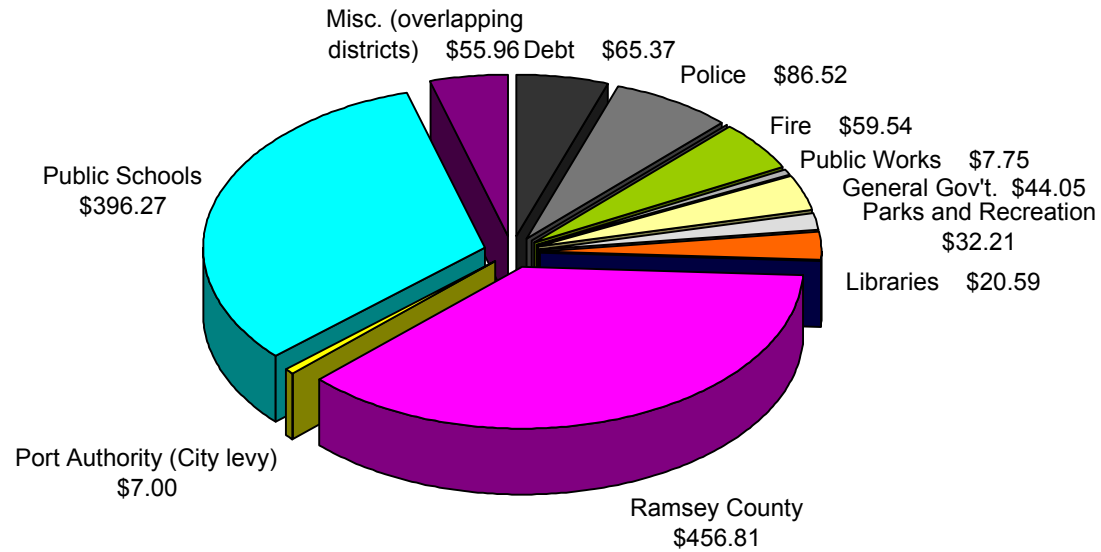
Look what less than a dollar a day can buy! Any citizen who pays property taxes wonders where the money goes. This pie chart shows how your tax dollars are at work in the community. Consider the property taxes on an average residential property (\$115,000) in Saint Paul. In 2004, the owner will pay about \$1,233 in property taxes. Of that amount, \$324, or 26%, will go to the City of Saint Paul. That's less than a dollar a day.

Police and Fire services receive two of the larger portions of your City property tax dollar. For \$87 annually, property taxpayers of an average-priced home are provided with 24-hour law enforcement protection. For \$60 a year, they receive around-the-clock fire and medical response. In addition to their immediate response services, both departments offer invaluable education and prevention programs.

\$65 covers capital debt, the City's annual cost of repaying bonds that finance street construction, new libraries, recreation centers, children's play equipment and other capital improvements made over the last ten years. \$32 goes to Parks and Recreation to provide a wide array of neighborhood recreational activities and to maintain 42 recreation centers and 4,000+ acres of city park land. For \$21, the Saint Paul Public Libraries offer taxpayers access to millions of books through the Metropolitan Library Service Association (MLSA) lending system and other library resources at their neighborhood libraries.

Estimated 2004 Saint Paul Property Taxes

Truth in Taxation Rates Applied to a Typical Home Valued at \$115,000



City	26.3%
County	37.1%
Schools	32.1%
Other	4.5%
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	100%